

*In Re:*      Bernice & Alvin Banes                                 )  
                Ward 68, Block 8, Parcel 15                         )  
                Residential Property                                 )      Shelby County  
                Tax year 2005   )



Since the taxpayers seek to change the present valuation of the subject property, they have the burden of proof in this administrative proceeding. State Board Rule 0600-1-.11(1).

As explained in an authoritative textbook:

The income capitalization approach is one of the three traditional approaches to value. **In the valuation of residential property, however, it is only applicable to properties for which an active rental market exists.** To apply the approach, an appraiser estimates the gross monthly income a property is expected to generate and capitalizes this income into a value indication using a gross rent multiplier. [Emphasis added.]

Appraisal Institute, Appraising Residential Properties (2<sup>nd</sup> ed. 1994), p. 439.

In this case, the evidence of record does not clearly demonstrate the existence of an “active rental market” for the residential property under appeal. Certainly the appellants introduced no market data that would establish the *economic rent* for this property – i.e., “the rent justified on the basis of an analysis of comparable rental properties.” International Association of Assessing Officers, Property Assessment Valuation (2<sup>nd</sup> ed. 1996), p. 209. Nor was the gross income multiplier by which Mr. Banes derived his estimate of value adequately substantiated. Whatever may be the shortcomings in the Assessor’s sales comparison approach, the administrative judge cannot recommend any adjustment of the county board’s value in view of these fundamental defects in the proof.

#### Order

It is, therefore, ORDERED that the following values be adopted for tax year 2005:

LAND VALUE	IMPROVEMENT VALUE	TOTAL VALUE	ASSESSMENT
\$26,900	\$88,100	\$115,000	\$28,750

Pursuant to the Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-301—325, Tenn. Code Ann. § 67-5-1501, and the Rules of Contested Case Procedure of the State Board of Equalization, the parties are advised of the following remedies:

1. A party may appeal this decision and order to the Assessment Appeals Commission pursuant to Tenn. Code Ann. § 67-5-1501 and Rule 0600-1-.12 of the Contested Case Procedures of the State Board of Equalization. Tennessee Code Annotated § 67-5-1501(c) provides that an appeal **“must be filed within thirty (30) days from the date the initial decision is sent.”** Rule 0600-1-.12 of the Contested Case Procedures of the State Board of Equalization provides that the appeal be filed with the Executive Secretary of the State Board and that the appeal **“identify the allegedly erroneous finding(s) of fact and/or conclusion(s) of law in the initial order”**; or
2. A party may petition for reconsideration of this decision and order pursuant to Tenn. Code Ann. § 4-5-317 within fifteen (15) days of the entry of the order. The petition for reconsideration must state the specific grounds upon which relief is

requested. The filing of a petition for reconsideration is not a prerequisite for seeking administrative or judicial review.

This order does not become final until an official certificate is issued by the Assessment Appeals Commission. Official certificates are normally issued seventy-five (75) days after the entry of the initial decision and order if no party has appealed.

ENTERED this 14<sup>th</sup> day of July, 2006.



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PETE LOESCH  
ADMINISTRATIVE JUDGE  
TENNESSEE DEPARTMENT OF STATE  
ADMINISTRATIVE PROCEDURES DIVISION

cc: Alvin Banes  
Tameaka Stanton-Riley, Appeals Manager, Shelby County Assessor's Office

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